

Market Preview

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Markets await interest rate decisions from Bank of England and Federal Reserve

Interest rates will be front and centre in the coming week with both the Bank of England and the US Federal Reserve due to deliver their latest monetary policy decisions, though a crunch EU summit will also be eyed for any signs of a Brexit transition deal.

There would be few surprised if the Fed announces a 0.25 percentage points increase in US interest rates to the 1.5%-1.75% range on Wednesday after its latest two-day FOMC meeting.

More interest will be focused on what the new US central bank chair, Jerome Powell has to say about his plans for future hikes at the meeting with rates expected to rise three or four times this year, and maybe twice next year.

The Bank of England, meanwhile, is widely expected to increase interest rates this year, maybe two or three times, but there would be much surprise if it announces a rise on Thursday.

However, the BoE Monetary Policy Committee meeting minutes may hint at when the next hike will occur, possibly as soon as May.

Ahead of the BoE decision, a big batch of UK economic data will also need digesting, including February inflation numbers, plus the latest labour market, retail sales and public sector finance numbers.

The UK consumer price index has stayed stubbornly high over the past few months, having been widely predicted to fall back towards the end of last year.

Instead inflation rose to 3.1% in November and stood at 3.0% in both December and January, even though the effect of post Brexit falls in sterling should have worked its way out of the figures by now, so traders will be keen to see if it can ease back in February.

Another strong performance from Bellway expected

If UK interest rates are close to being hiked again, builders will be in the crosshairs as the fragile housing market could bear the brunt as mortgage rates increase.

However, Bellway PLC (LON:BWY) had a bumper 2017 and is expected to promise more of the same in 2018 when it announces interims on Tuesday.

The FTSE 250-listed firm's housing revenue in the six months to the end of January is expected to have risen by more than 14% year-on-year to £1.3bn on the back of a 6.3% rise in housing completions and a near 7.8% rise in the average selling price.

Having revealed most of the big numbers in its February trading update, focus will be on current trading and in particular the weekly reservation rate and the forward order book.

The company might also give an update on its plan to open a twentieth division, located in Scotland.

"Market conditions continue to be favourable and customer demand for new homes remains strong. Notwithstanding

Share Information

MarketTopic Synopsis:

Market Preview is published daily before trading kicks off, giving investors a roundup of macroeconomic and corporate news that is likely to move the markets along with the expected opening level of the major indices.

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the modest increase in the Bank of England base rate in November, mortgage rates remain low by historical standards, ensuring that the cost of financing a new Bellway home remains affordable," the company said in February.

Is Next's outlook improving?

Full-year results from Next Plc (LON:NEX) come after the FTSE 100-listed company revised up its annual profit forecast in January after total full-price sales rose 1.5% over the Christmas period .

Analysts at UBS forecast the clothing retailer reporting pre-tax profits of £725m, in line with the midpoint of company guidance, although given the 7% year-on-year decline in earnings per share, they expect the dividend to be held at 158p.

In a preview note to clients, the analysts at UBS said: "Key issues, in our view, will be the degree of negative operational gearing in Retail, measures to moderate the decline seen last year, and the efficacy of further measures to improve Online service levels."

Analysts at Hargreaves Lansdown were positive but cautious on Next, saying that "the outlook for the next year has improved".

"Higher sales and higher margins mean doubly higher profits in the longer term. If all goes to plan the group expects to deliver £300m of spare cash next year, which it has suggested could be spent on a buyback," they said.

"However, retail still accounts for a huge slice of sales, and with conditions remaining tough, it's likely to be far from plain sailing."

Technology deals eyed at Ocado

There was no shortage of sceptics when Ocado PLC (LON:OCDO) set up in 2010 as a grocery delivery service but the company currently has the wind in its sails.

"Deals to license out its technology to Canadian and French retailers have raised hopes the blue touch paper on Ocado's transformation from UK online supermarket to international technology provider is well and truly lit," observed Danny Cox at Hargreaves Lansdown.

"We're unlikely to get news of any more deals at this stage, or indeed what the longer-term profitability of those it has already signed is like. Still any indication there are more interested parties at the negotiating table will be important," Cox added.

News on Wednesday that US giant Wal-Mart is to extend its home delivery service sent Ocado's shares lower, as some investors were hoping Wal-Mart would turn to Ocado to help in its fight against online titan Amazon.

"In recent months Ocado has announced two international deals with Groupe Casino in France back in November 2017 and Sobeys in Canada in January which got the market excited that more international deals for the Ocado solutions business are potentially imminent," noted Shore Capital.

"Clearly the US market is a huge opportunity and at the prelims back in early February Ocado were suggesting that multiple deals could be possibly in the US, whereas the current international deals give a period of exclusivity. This news from Wal-Mart suggests that no potential tie-up with Ocado is on the horizon," Shore added.

Investors look for recovery at Wood Group

It should come with little surprise that investors will have a degree of tunnel-vision as they look at Wood Group Plc's (LON:WG. full year results on Tuesday - it ought to all be about cash generation and visibility in the new contracts pipeline.

With crude now stabilising somewhat, showing relative strength through recent months, investors will want to know that the downtrodden services sector is in recovery mode and they'll want to hear that oil companies are spending capital on

projects again.

Positive outlook and sentiments will be welcomed.

On a company-specific basis, they'll also want commentary around the integration of recently acquired business units, and ideally signs of synergies.

In a preview note, UBS has highlighted that the company had already, in its pre-close update, reported that proforma full year earnings are expected to be between US\$590m and US\$610m, while net debt is expected to have been around \$1.8bn at the end of December.

Kingfisher to meet full year profit targets

B&Q owner Kingfisher Plc (LON:KGF) reports its fourth quarter results on Wednesday, and as ever with retail stocks, the stock market second guessing is already in full swing.

"The last update from Kingfisher, a third quarter statement in November, was notable for signs of continued weakness in the French businesses although the company said it remained on track to deliver full-year profit targets," said Graham Spooner, research analyst at The Share Centre.

"The shares have recovered strongly since then, boosted by news in February of poor trading at Homebase.

"It will be interesting to see if B&Q benefited or was struck by the same malaise."

The analyst, who presently rates the DIY retailer as a 'hold', also highlighted that Kingfisher and its customers are now gearing up for one of the busiest periods of their year, the Easter weekend.

Ted Baker still in fashion

Investors will be hoping that full-year results from Ted Baker PLC (LON:TED) on Thursday will continue the fashion retailer's strong recent momentum.

In a trading update in January, the FTSE 250-listed firm maintained its annual guidance after an increase in retail sales over the Christmas period, but warned trading conditions are expected to remain challenging in the year ahead.

The high street firm reported a 9.0% increase in retail sales in the eight weeks to 6 January, compared to the same period last year, while e-commerce sales jumped 35.0% on a reported basis or 36.4% at constant currency, representing 30.1% of total retail sales.

Significant events expected: Monday March 19:

Finals: ADES International Holding PLC (LON:ADES), Gama Aviation PLC (LON:GMAA), Learning Technologies Group (LON:LTG), Michelmersh Brick Holdings Plc (LON:MBH), Miton Group PLC (LON:MGR), Spectra Systems Corporation (LON:SPSY)

Interims: Volution Group PLC (LON:FAN), Finsbury Food Group PLC (LON:FIF)

Tuesday March 20:

Trading update: Ocado Group PLC (LON:OCDO)

Finals: John Wood Group PLC (LON:WG), Mears Group PLC (LON:MER), 888 Holdings PLC (LON:888), Cloudcall Group (LON:CALL), Caledonia Mining Corp (LON:CMCL), DP Eurasia NV (LON:DPEU), EnQuest PLC (LON:ENQ), Faroe Petroleum (LON:FPM), Getbusy PLC (LON:GETB), The Gym Group Plc (LON:GYM), Hansteen Holdings plc (LON:HSTN), IQE plc (LON:IQE), Judges Scientific PLC (LON:JDG), NAHL Group plc (LON:NAH), Polypipe Group PLC (LON:PLP), TF Fluid Systems PLC (LON:TIFS)

Interims: Bellway PLC (LON:BWY), Blancco Technology Group PLC (LON:BLTG), Ceres Power Holdings PLC (LON:CWR), Genedrive PLC (LON:GDR)

Economic data: UK inflation (CPI, RPI, PPI, HPI)

Wednesday March 21:
Federal Reserve interest rate decision

Finals: Kingfisher PLC (LON:KGF), Accesso Technology Group PLC (LON:ACSO), Alpha Fx Group PLC (LON:AFX), Brave Bison Group PLC (LON:BBSN), Centaur Media PLC (LON:CAU), Cambian Group PLC (LON:CMBN), Ebiquity plc (LON:EBQ), Empiric Student Property PLC (LON:ESP), Ferrexpo PLC (LON:FXPO), IFG Group PLC (LON:IFP), IGas Energy Plc (LON:IGAS), International Public Partnerships Ltd (LON:INPP), Medaphor Group PLC (LON:MED), Personal Group Holdings plc (LON:PGH), Premier Technical Services Group PLC (LON:PTSG), Science in Sport PLC (LON:SIS), Ten Entertainment Group PLC (LON:TEG), Vectura Group PLC (LON:VEC), Xaar PLC (LON:XAR)

Interims: SCS Group PLC (LON:SCS), Softcat PLC (LON:SCT)

Economic data: UK unemployment; UK public sector finances; CBI UK industrial trends survey; US existing home sales

Thursday March 22:
Bank of England rate decision

Finals: Ted Baker PLC (LON:TED), Genel Energy (LON:GENL), Lamprell PLC (LON:LAM), Soco International PLC (LON:SIA), Allied Minds PLC (LON:ALM), Cello Group plc (LON:CLL), Cambridge Cognition Holdings PLC (LON:COG), Franchise Brands PLC (LON:FRAN), Gamma Communications PLC (LON:GAMA), Inspired Energy plc (LON:INSE), Quixant plc (LON:QXT), Regional REIT Limited (LON:RGL), Sabre Insurance Group PLC (LON:SBRE), Safestyle UK PLC (LON:SFE), Sanne Group PLC (LON:SNN), Sopheon PLC (LON:SPE), Secure Trust Bank PLC (LON:STB), Venture Life Group PLC (LON:VLG)

Trading update: Crest Nicholson PLC (LON:CRST), Halma PLC (LON:HLMA)

FTSE 100 ex-dividends: Randgold Resources Ltd (LON:RRS), Schroders PLC (LON:SDR), Segro PLC (LON:SGRO), Sky PLC (LON:SKY)

Economic data: UK retail sales; German IFO business climate index; US weekly jobless claims; US manufacturing PMI

Friday March 23:

Finals: Next Plc (LON:NXT), Smiths Group PLC (LON:SMIN), Henry Boot PLC (LON:BOOT), Robinson PLC (LON:RBN), M Winkworth PLC (LON:WINK)

Economic data: US new homes sales; US durable goods orders

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